

CITY OF BURLINGTON
Skagit County, Washington
January 1, 1993 Through December 31, 1994

Schedule Of Findings

1. The City Should Only Pay For Services Which Have Been Rendered And Which Are Allowable City Expenditures

Our review of the city's expenditures revealed payments to nine vendors totaling \$103,386 which appeared questionable. Of the nine vendors reviewed for fiscal years 1993 and 1994, we noted the following exceptions:

- a. Payments totaling \$100,036 to seven vendors with whom the city had no agreement or contract detailing what services were to be provided.
- b. Four vendors were paid a total of \$20,166 without providing adequate documentation of services actually provided.
- c. Four vendors were paid a total of \$21,350 in advance of services rendered.
- d. One vendor was paid \$1,000 for what appears to be an improper city expenditure.

RCW 42.09.200 states in part:

The accounts shall show the receipt, use, disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . .

In addition, RCW 42.24.080 states in part:

All claims presented against any county, city, district or other municipal corporation or political subdivision by persons furnishing materials, rendering services or performing labor or for any other contractual purpose, shall be audited, before payment, by an auditing officer elected or appointed pursuant to statute . . . Such claims shall be prepared for audit and payment on a form and in the manner prescribed by the division of municipal corporations in the state auditor's office. The form shall provide for the authentication and certification by such auditing officer that the materials have been furnished, the services rendered or the labor performed as described, and that the claim is just, due and unpaid obligation against the municipal corporation or political subdivision; and no claim shall be paid without such authentication and certification . . . (Emphasis ours.)

Further, Article VIII, Section 7 of the Washington State Constitution states in part:

No county, city, town or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor or infirm

The city officials were not aware of applicable laws and did not develop procedures to ensure all goods and services have been received prior to payment and all expenditures are for allowable city purposes. As a result, the city has been left open to the possibility that expenditures were made for improper purposes. Further, goods and services may not have been provided or performed as the city intended. Also, by paying for goods and services prior to them being provided, the city has limited its recourse in the event of damaged goods, nonperformance of services or a change of plans. In addition, lack of documentation and improper expenditures could be construed as gifts of public funds to the organizations.

We recommend the city improve controls over expenditures as follows:

- a. Develop adequate agreements with all organizations to ensure services are allowable city expenditures.
- b. Receive adequate supporting documentation detailing the services provided.
- c. Receive adequate documentation for past payments to these organizations or request reimbursement for those payments.
- d. Ensure expenditures are not gifts of public funds.

2. The City Should Develop An Adequate Fixed Asset System

During our audit of the city's fixed asset system, we noted the city does not have a comprehensive record of all property owned by the city, nor does it have an adequate system to ensure all assets are included in the fixed asset listing. Additionally, we noted the city does not have an adequate system in place to ensure all fixed assets tagged to identify them as city property and physical inventories are not performed on a regular basis to ensure the assets are still possessed by the city.

RCW 43.09.200 requires the State Auditor to prescribe uniform accounting systems. The State Auditor prescribes the *Budgeting, Accounting and Reporting System* (BARS) manual which states in Volume 1, Part 3, Chapter 7:

Accountability for fixed assets is required for all local governments, regardless of size.

The BARS manual further states:

An adequate fixed asset accounting system will enable your government to meet statutory requirements, to produce adequate records and reports and to safeguard assets properly.

The city's inadequate fixed asset accounting system is partially attributable to low priority being placed on fixed asset accountability and lack of sufficient staffing to set up and maintain a system.

The city's lack of adequate safeguarding over fixed assets results in the possibility of errors and irregularities occurring and not being detected in a timely manner, if at all.

We recommend the city update their fixed asset policies and procedures to ensure all fixed asset acquisitions and dispositions are properly entered in equipment records. In addition, we recommend the city establish a consistent system of identifying assets by tag or serial number. We further recommend the city perform periodic inventories and reconcile those inventories to their accounting records.